



JON M. HUNTSMAN, JR.
Governor

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Lieutenant Governor

State of Utah
DEPARTMENT OF NATURAL RESOURCES
Division of Oil, Gas & Mining

MICHAEL R. STYLER
Executive Director

JOHN R. BAZA
Division Director

January 14, 2008

David Penney
Penney's Gemstones, LLC
2400 East 30 South
P.O. Box 312
Beaver, Utah 84713-0312

Subject: Deficient Reclamation Surety and Reclamation Contract, Penney's Gemstones LLC,
White Tiger, S/027/093, Beaver County, Utah

Dear Mr. Penney:

On 09/21/2007, the Director of the Division of Oil, Gas and Mining signed the reclamation contract for the White Tiger Notice of Intention to Conduct Mining, file number S/027/093. A copy of the executed reclamation contract/surety is enclosed for your records. This action has made it possible for your existing reclamation surety to be in place with the Division, however you should note that there are deficiencies either in your Notice of Intent or in your surety/bond amount that need to be rectified.

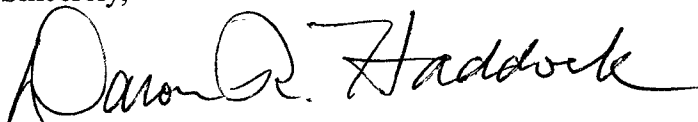
Right now the amount of surety/bond that is currently posted does not correspond with the information in your NOI because that NOI does not specifically identify how much area you plan on disturbing. It is assumed that you are going to disturb 5 acres. Based on the information in the NOI, the Division has determined that you must post a surety in the amount of \$20,700 for 5 acres. You currently have \$1,800 dollars allocated to this project, so please remit the additional \$18,900.

Since your Notice of Intent is not specific as to the area planned for disturbance, you may wish to amend the notice to more accurately reflect your plans. The division has included a map for you to use. At such time as we receive and review an amended NOI we will determine an appropriate reclamation cost based on the new information and notify you of any changes needed to your surety/bond. If you choose not to amend your NOI we will expect the above stated amount to be filed with the Division within 30 days.

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Mr. Penney
S/027/093
January 14, 2008

If you have questions or concerns regarding this letter, please contact me at (801) 538-5325 or Tom Munson at 538-5321. Thank you for your help in completing this very important regulatory requirement.

Sincerely,

A handwritten signature in black ink that reads "Daron R. Haddock". The signature is fluid and cursive, with the first name "Daron" being more prominent than the last name "Haddock".

Daron R. Haddock
Permit Supervisor
Minerals Regulatory Program

DRH:tm:pb

Enclosure: Copy of reclamation contract/surety and 2 maps

cc: Bond coordinator

Larry_Garahana@blm.gov

ep7@xmission.com

opie_Abeyta@blm.gov

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